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Building a better tomorrow: An
infrastructure planning, financing
and procurement framework for
Ontario's public sector, executive
summary

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BUILDING A BETTER TOMORROW

AN INFRASTRUCTURE PLANNING, FINANCING AND PROCUREMENT
FRAMEWORK FOR ONTARIO'S PUBLIC SECTOR

Executive Summary

Ministry of Public Infrastructure Renewal

July 2004

Overview

Years of neglect and poor planning have allowed Ontario's public infrastructure to decline, and damaged the delivery of critical public services. Waiting lists in hospitals, rundown schools, congestion and gridlock on our roads are all visible signs of this neglect. The cost of correcting past under-investment, and of building the public facilities we need to accommodate future growth, may exceed \$100 billion over the next 30 years. Given the magnitude of the challenge, Ontario needs both a better way to manage growth and a better way to finance and manage investments in public infrastructure.

In July 2004, the government introduced its vision for the future development of the Greater Golden Horseshoe in a discussion document, *Places to Grow: Better Choices. Brighter Future*, that describes how and where the region should grow over the next 30 years. That vision will later be extended to other regions of the province.

The document, *Building a Better Tomorrow*, establishes a framework for planning, financing and procuring the public infrastructure that will help make the government's vision of the future a reality and improve the delivery of public services in every part of the province. It is the first comprehensive strategy for planning, financing, building and managing public infrastructure in Ontario's history, and will be a critical tool in Ontario's new approach to planning for population and economic growth.

Modern, efficient public infrastructure is essential to delivering quality public services, stimulating economic growth, creating jobs and improving the quality of life we enjoy in Ontario. *Building a Better Tomorrow: An Infrastructure Planning, Financing and Procurement Framework for Ontario's Public Sector* has been developed to help meet the government's commitment to better health care, higher-quality education and a clean, safe environment.

The framework includes:

- an overview of the government's infrastructure planning process;
- key considerations to be addressed in planning, designing, financing and managing public infrastructure initiatives;
- the roles and responsibilities of government ministries and agencies, municipalities, broader public-sector partners and the private sector in the planning, financing and procurement of public infrastructure assets;
- an introduction to infrastructure procurement best practices; and
- an overview of the Government of Ontario's asset management guidelines.

The framework is designed to support the government's three-year and 10-year infrastructure investment plans for Ontario and to increase the level of collaboration among all partners in delivering public infrastructure investments.

The infrastructure investment plans set out priorities and timelines for the creation and renewal of public infrastructure that will improve the delivery of essential public services. The investment plans, combined with this framework, provide a comprehensive strategy to determine what infrastructure to build, and how to build it.

The Ministry of Public Infrastructure Renewal (PIR) will develop additional tools and best-practice guides to assist public-sector partners to effectively use this framework to deliver on critical public infrastructure investments.

The framework applies to infrastructure initiatives undertaken by:

- Government of Ontario ministries and agencies; and
- municipalities, broader public-sector partners, and public agencies where the province has a material financial interest.

Even where there is no material provincial financial interest, the government strongly encourages municipalities and all other public-sector partners to adopt the guidelines contained in this framework to facilitate their infrastructure planning, financing and procurement activities.

Objectives

The key objectives of Ontario's Infrastructure Planning, Financing and Procurement Framework are to:

- set out guidelines for implementing the government's strategic plan for infrastructure renewal;
- establish clear rules for infrastructure development by articulating the roles and responsibilities of all partners in building and renewing Ontario's public infrastructure assets;
- assist Ontario's broader public sector—especially smaller and less experienced partners—in planning, designing, financing and managing public infrastructure investments;
- support line ministries and government agencies, municipalities, hospitals, school boards, and colleges and universities in developing innovative and creative ways to meet Ontario's infrastructure needs while protecting and promoting the public interest;
- facilitate the development and sharing of infrastructure planning, financing and procurement best practices across the public sector;
- support line ministries and government agencies, municipalities, hospitals, school boards, and colleges and universities in effectively engaging the private sector, where appropriate, in building and renewing vital public assets and optimizing public-private collaboration; and

- encourage capital investment planning that takes into account the ongoing operating costs associated with capital investments to ensure the efficient delivery of public services, increased accessibility for persons with disabilities, reduced public-sector operating expenses and energy conservation.

The framework provides guidance for traditional and alternative financing and procurement models, recognizing that the appropriate model for procuring public assets must be determined on a case-by-case basis.

The framework aims to bring governments, municipalities, public-sector transfer partners and the private sector together to achieve:

- greater infrastructure investment;
- greater use of full cost recovery (beneficiary pay/user charges);
- non-traditional revenue/funding sources to support infrastructure investment;
- financing approaches that are consistent with the amortization of capital costs;
- innovative opportunities for private-sector involvement; and
- procurement and management practices that ensure value for money.

Underlying Principles

The framework sets out a balanced, pragmatic approach to infrastructure renewal, guided by five fundamental principles:

- the public interest is paramount;
- value for money must be demonstrable;
- appropriate public control/ownership must be preserved;
- accountability must be maintained; and
- all processes must be fair, transparent and efficient.

Principle 1: The public interest is paramount

The framework protects and promotes the public interest in infrastructure investments by:

- setting out clear expectations that initiatives protect and promote public health and safety;
- establishing clear expectations that infrastructure renewal support the delivery of high-quality public services and be accessible to all Ontarians; and
- committing the government and all partners to regular, public consultation and reporting on the progress of delivering investments;

Principle 2: Value for money must be demonstrable

Ontarians expect and deserve value for their tax dollars. All public infrastructure investments should be cost-effective, optimize risk allocation, and be completed on time and on budget. Where private financing is involved in the delivery of public infrastructure initiatives, there must be safeguards against financial returns that are not proportional to the associated risk.

The framework ensures that there is value for money achieved in public infrastructure investments by requiring that:

- proper business cases and implementation plans be developed for all major investments;
- appropriate financing and procurement models are selected on a project-by-project basis;
- risk is transferred to those parties best able to manage it at the least cost; and
- an asset management strategy is developed that recognizes the importance of maintaining the significant investments the government makes in infrastructure.

Principle 3: Appropriate public control/ownership must be preserved

The framework ensures that appropriate public control/ownership is preserved for public infrastructure investments by:

- articulating a comprehensive set of fundamental principles for public infrastructure financing and procurement;
- requiring meaningful, regular public and stakeholder consultation and engagement on the development of major investments;
- clearly stating that water, sewer, hospital and publicly-funded school assets will remain publicly owned and controlled; and
- ensuring transparency in reporting on the development of major investments.

Principle 4: Accountability must be maintained

Stakeholders involved in delivering public infrastructure initiatives must be accountable. Public infrastructure initiatives should have clear lines of responsibility and accountability, rigorous and transparent reporting and oversight requirements, and clear, measurable performance measures.

The framework ensures that accountability is maintained for public infrastructure investments by:

- requiring a post-implementation review of all major infrastructure investments;

- clearly articulating the roles and responsibilities of government ministries, municipalities, broader public-sector partners and the private sector in delivering infrastructure investments; and
- committing the government to annual reporting on infrastructure investments through an *Ontario Infrastructure Investment Report* to be made public.

Principle 5: Processes must be fair, transparent and efficient

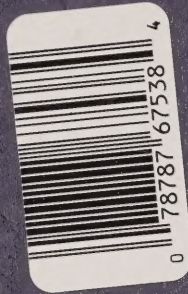
The framework ensures that processes are fair, transparent and efficient for public infrastructure investments by:

- setting out clear processes for the identification, evaluation and selection of alternative delivery models;
- requiring efficient and fair bidding processes, and contractual agreements based on clear, comprehensive guidelines and full public disclosure; and
- highlighting best practices for delivering and managing infrastructure investments.

Conclusion

The Infrastructure Planning, Financing and Procurement Framework improves the decision-making process on infrastructure investments and the process for managing the delivery of projects. It ensures that Ontario has the financial capacity to deliver the infrastructure the province needs.

The framework builds on best practices from other jurisdictions and advice from a comprehensive stakeholder outreach process. It is intended to provide maximum value for investments in public infrastructure—both in terms of maintaining modern, efficient infrastructure, and through the delivery of high-quality public services.



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